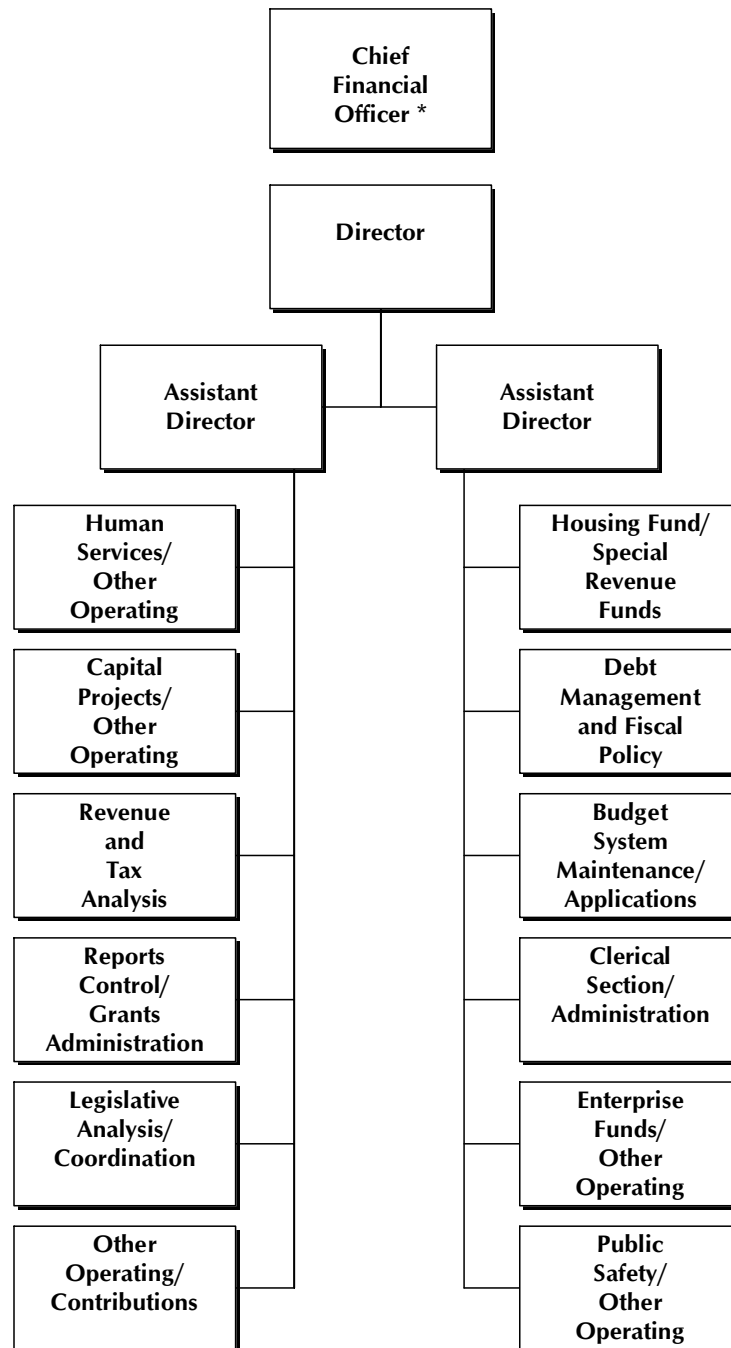


# Department of Management and Budget



\* The Chief Financial Officer has responsibility for strategic direction and oversight of this agency; and for budget purposes, that position and associated funding are reflected in this agency.

# Department of Management and Budget

## Mission

To provide financial and analytical consultant services; develop, implement and monitor a financial plan; and produce information for Fairfax County agencies, the Board of Supervisors, the County Executive and citizens in order to maintain the County's fiscal integrity and accountability, as well as to support effective decision-making.

## Focus

The Department of Management and Budget (DMB) is chiefly responsible for coordination of the County's annual budget process, which includes the financial forecast, development of budget guidelines, review of agency requests, presentation of recommendations to the County Executive, preparation of the Advertised Budget Plan, support of deliberations by the Board of Supervisors and preparation of the Adopted Budget Plan, which exceeds \$4 billion for all funds, including over \$2 billion for General Fund Disbursements.

However, the role of the Department extends considerably beyond budget preparation. DMB also oversees the sale of bonds to fund the majority of the County's capital program, including school construction. In addition, DMB coordinates the County's performance measurement program and other managing for results activities associated with the County's High Performance Organization model based on customer service, value and results. DMB has also been successfully partnering with the Department of Human Resources and all agencies to integrate workforce planning into County business operations in order to ensure that appropriate staffing resources are available to achieve strategic goals and objectives.

DMB continues to build on the momentum of the Budget Process Redesign effort begun several years ago. While the early stages of this initiative focused on streamlining the budget process, the current emphasis is on enhancing the integration of the budget with the County's strategic direction. This is evidenced by improved linkages where agencies demonstrate how their programmatic efforts contribute to the realization of the County's Vision Elements. In addition, for the first time, key indicators are presented in the Overview volume of the FY 2005 Advertised Budget Plan to highlight high-level progress on achieving the County's vision.

### THINKING STRATEGICALLY

Strategic challenges for the Department include:




- o Enhancing service to both internal and external customers;
- o Promoting effective communication within and outside of County government;
- o Developing collaborative relationships to improve performance;
- o Providing consultation in areas of DMB expertise;
- o Leveraging technology to improve operations as well as support customers;
- o Continuing to evaluate and streamline processes; and
- o Developing a workforce that supports a high performance organization.

With more than one million residents – a population greater than that of seven states, Fairfax County faces significant budget challenges in addressing the growing needs of a community that is increasing in both number and diversity. In addition to requirements associated with population growth, Fairfax County's budget has been profoundly impacted by a number of external events such as the terrorist acts of September 11, 2001, the West Nile virus, and the sniper incidents in the fall of 2002 as well as extreme weather over the past few years. Furthermore, the Commonwealth of Virginia's poor fiscal condition in recent years has resulted in reduced aid to local governments. Restrictions on revenue diversification that severely limit Fairfax County's flexibility in addressing budget requirements also continue to place a disproportionate burden on property owners, particularly residential taxpayers.


Since FY 1996, DMB's authorized staffing level has been reduced by approximately 20 percent, presenting additional challenges to formulate the budget given the increasingly complex fiscal environment. To meet those challenges, DMB has leveraged technology extensively, redesigned and enhanced the budget process, and has also focused resources on expanding public access to essential information in order to afford residents a better understanding of their County government, the services it offers and the role they can play in the budget process.

## Department of Management and Budget

### New Initiatives and Recent Accomplishments in Support of the Fairfax County Vision

 <b>Maintaining Safe and Caring Communities</b>	<b>Recent Success</b>	<b>FY 2005 Initiative</b>	<b>Cost Center</b>
Provided financial analysis support for other County agencies, particularly those in public safety, to accurately track and report on costs associated with major events that have a significant budgetary impact such as the fall 2002 sniper incidents, the snowstorm of 2003 and Hurricane Isabel in order to maximize cost recovery from the federal government. Based on anticipated ongoing needs, DMB will continue this role in FY 2005.	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	Agencywide
 <b>Building Livable Spaces</b>	<b>Recent Success</b>	<b>FY 2005 Initiative</b>	<b>Cost Center</b>
Conducted a major redesign of the Capital Improvement Program (CIP) including increased communication with Boards, Authorities and Commissions; enhanced debt analysis and planning for County bond referenda; developed and applied capital project principles and criteria to prioritize and rank all existing and future projects; identified capital renewal needs at County facilities; and improved the content, format and appearance of the CIP document. This has resulted in a stronger planning tool that more clearly demonstrates the connection to the Comprehensive Plan and the annual budget. The CIP planning process will continue to be enhanced in FY 2005.	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	Agencywide
 <b>Connecting People and Places</b>	<b>Recent Success</b>	<b>FY 2005 Initiative</b>	<b>Cost Center</b>
Continued to expand its use of the budget on CD-ROM and the Internet to make budget distribution easier and less costly as well as make the budget available to a worldwide audience.	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	Agencywide

## Department of Management and Budget

 <b>Creating a Culture of Engagement</b>	<b>Recent Success</b>	<b>FY 2005 Initiative</b>	<b>Cost Center</b>
<p>Continued to administer and support the Fairfax County Youth Leadership Program, a year-long program designed to expose high school students to local government services. Students develop leadership skills and are encouraged to become active participants in their community. One to two students are selected from each Fairfax County high school, resulting in approximately 25-30 participants annually. The Youth Leadership Program received a National Association of Counties (NACo) Achievement Award in 2003, which recognized it as an innovative program that contributes to an enhanced understanding of county government.</p>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	Agencywide
<p>Continued to increase the number of meetings with community groups to increase residents' understanding of the budget and the County's fiscal condition. During FY 2004, also began participating in Neighborhood Colleges sponsored by the Department of Systems Management for Human Services in order to provide an overview of the County's budget to citizens, as well as provide information on how they can more fully participate in the process.</p>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	Agencywide
 <b>Corporate Stewardship</b>	<b>Recent Success</b>	<b>FY 2005 Initiative</b>	<b>Cost Center</b>
<p>Exercised prudent financial management and contributed to the County's continued Triple AAA bond rating from all three rating agencies, which has resulted in bond sale savings of more than \$187.5 million, as well as \$60.04 million in refunding savings since 1978. In FY 2003, sold \$206.4 million in General Obligation bonds at an interest rate of 3.63 percent, the lowest rate in 25 years. This saved the County \$14.49 million compared to the Bond Buyer 20-bond municipal index.</p>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	Agencywide
<p>Continued to emphasize accountability by coordinating the Countywide performance measurement effort by conducting training, producing a quarterly newsletter, providing assistance to agencies in developing and using meaningful measures that demonstrate benefit to the public for results achieved, and leading the Regional Performance Measurement Consortium for local governments in the area to share best practices. In addition, coordinated the County's participation in ICMA's comparative data initiative where 14 service areas are benchmarked annually.</p>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	Agencywide

# Department of Management and Budget

## Budget and Staff Resources



Agency Summary				
Category	FY 2003 Actual	FY 2004 Adopted Budget Plan	FY 2004 Revised Budget Plan	FY 2005 Advertised Budget Plan
Authorized Positions/Staff Years				
Regular	39/ 39	37/ 37	37/ 37	37/ 37
Expenditures:				
Personnel Services	\$2,178,357	\$2,607,702	\$2,607,702	\$2,708,245
Operating Expenses	368,881	266,920	340,930	259,605
Capital Equipment	0	0	28,288	0
<b>Total Expenditures</b>	<b>\$2,547,238</b>	<b>\$2,874,622</b>	<b>\$2,976,920</b>	<b>\$2,967,850</b>

Position Summary				
1 Chief Financial Officer	1 Assistant Debt Manager	1 Network Analyst II		
1 Director	9 Budget Analysts III	5 Budget Analysts II		
2 Assistant Directors	2 Business Analysts III	2 Administrative Assistants V		
1 Debt Manager	1 Management Analyst III	2 Administrative Assistants III		
8 Budget Analysts IV	1 Programmer Analyst III			
<b>TOTAL POSITIONS</b>				
<b>37 Positions / 37.0 Staff Years</b>				

## FY 2005 Funding Adjustments

The following funding adjustments from the FY 2004 Revised Budget Plan are necessary to support the FY 2005 program:

- ◆ **Employee Compensation** **\$100,543**  
An increase of \$100,543 in Personnel Services is associated with salary adjustments necessary to support the County's compensation program.
- ◆ **Carryover Adjustments** **(\$74,010)**  
A decrease of \$74,010 due to the carryover of one-time Operating Expenses as part of the FY 2003 Carryover Review.
- ◆ **Other Adjustments** **(\$7,315)**  
A decrease of \$7,315 in Operating Expenses due to a reduction in mainframe charges based on previous and anticipated usage.

## Changes to FY 2004 Adopted Budget Plan

The following funding adjustments reflect all approved changes in the FY 2004 Revised Budget Plan since passage of the FY 2004 Adopted Budget Plan. Included are all adjustments made as part of the FY 2003 Carryover Review and all other approved changes through December 31, 2003:

- ◆ **Carryover Adjustments**  
As part of the FY 2003 Carryover Review, the Board of Supervisors approved encumbered carryover of \$102,298 including \$74,010 in Operating Expenses and \$28,288 for Capital Equipment.

# Department of Management and Budget

## Key Performance Measures

### Objectives

- ◆ To maintain a variance of 2.0 percent or less between estimated and actual revenues and expenditures.
- ◆ To achieve an interest rate of no greater than 5.00 percent on General Obligation bond sales, comparing favorably to other jurisdictions' sales.

Indicator	Prior Year Actuals			Current Estimate	Future Estimate
	FY 2001 Actual	FY 2002 Actual	FY 2003 Estimate/Actual	FY 2004	FY 2005
<b>Output:</b>					
Dollar value of budgets reviewed (in billions)	\$3.61	\$3.96	\$4.10 / \$4.01	\$4.49	\$4.62
Special financings conducted	NA	NA	NA / 1	2	1
Dollar value of special financings conducted (in millions)	NA	NA	NA / \$70.83	\$123.35	\$63.00
General Obligation bond sales or refinances conducted (1)	2	1	2 / 2	2	2
Dollar value of General Obligation bond sales (in millions)	\$174.65	\$198.00	\$226.10 / \$206.40	\$214.73	\$217.60
Dollar value of General Obligation refundings (in millions)	\$139.470	\$60.940	NA / \$171.170	NA	NA
<b>Efficiency:</b>					
Budget Analysts per 1,000 population	1:37	1:38	1:42 / 1:42	1:43	1:43
Staff Year Equivalent (SYE) per bond offering statement	0.25	0.25	0.25 / 0.25	0.25	0.25
<b>Service Quality:</b>					
GFOA Distinguished Budget Presentation Award	Yes	Yes	Yes / Yes	Yes	Yes
Bond Ratings of AAA/Aaa/AAA (2)	Yes	Yes	Yes / Yes	Yes	Yes

## Department of Management and Budget

Indicator	Prior Year Actuals			Current Estimate	Future Estimate
	FY 2001 Actual	FY 2002 Actual	FY 2003 Estimate/Actual	FY 2004	FY 2005
<b>Outcome:</b>					
Percent variance in actual and projected revenues	0.2%	0.6%	2.0% / 1.0%	2.0%	2.0%
Percent variance in actual and projected expenditures	2.0%	1.8%	2.0% / 2.5%	2.0%	2.0%
Interest rate for bond sale	4.87%	4.33%	5.00% / 3.63%	5.00%	5.00%
Savings for bond sales (in millions) compared to the Bond Buyer 20-bond municipal index	\$11.90	\$10.37	NA / \$14.49	NA	NA
Savings associated with refundings	\$7.66	\$3.30	NA / \$12.80	NA	NA

(1) For bond sale interest rate and savings, note that in some fiscal years, two bond sales were held, while in others, only one was held. Data shown are for each bond sale since interest rates varied as well as actual interest savings per bond sale. In addition, refunding savings cannot be projected as they do not take place unless the prevailing interest rates indicate it is favorable to refund previously issued bonds. Therefore, while no projections are made for this category, actual results are reported.

(2) Fairfax County's Bond Ratings are determined by Moody's, Standard & Poors, and Fitch Investors Service and represent the highest rates that can be awarded for general obligation bonds. Ratings for special financings are lower based on credit issues unique to each financing, but benefit from the County's underlying general obligation bond rating.

### Performance Measurement Results

Despite the many uncertainties associated with local, regional and national economic conditions that influence General Fund revenues, as well as various factors driving expenditures, the Department of Management and Budget (DMB) was successful in projecting and managing the FY 2003 budget to achieve minimal variance between projected and actual revenues and expenditures. DMB exceeded the 2.0 percent variance target for revenue projections by achieving a variance of only 1.0 percent on a \$2.5 billion General Fund Disbursements budget. The actual variance for expenditures of 2.5 percent was only slightly off the 2.0 percent target as County managers, anticipating significant FY 2004 budget cuts, held a number of positions vacant in order to minimize the extent of employees who would have to go through a Reduction in Force (RIF). These minimal variances continue to validate the agency's accurate fiscal forecasting and careful budget management. As a measure of the quality of its budget preparation, Fairfax County was awarded the Government Finance Officers Association's Distinguished Budget Presentation Award by again meeting rigorous criteria for the budget as a policy document, financial plan, operations guide, and communications device for the 18<sup>th</sup> consecutive year.

Through prudent fiscal management, the County continues to realize savings on bond sales based on its Triple A rating from all three rating houses, a distinction shared by only 23 of 3,107 counties; 9 of 50 states and 17 of 22,529 cities nationally. When DMB sells bonds on behalf of the County for capital facilities, this results in significant interest rate savings, including \$14.49 million on a \$206.40 million bond sale during FY 2003. The County exceeded its interest rate estimate of 5.00 percent on that sale by achieving a rate of 3.63 percent. In addition, staff continues to monitor the municipal market for refunding opportunities and saved \$12.80 million associated with refundings in FY 2003. Since 1978, the Triple AAA rating has resulted in bond sale savings of more than \$187.5 million, as well as \$60.0 million in refunding savings. Paying less interest on debt for capital projects translates to greater funding available for services.